

EPP GROUP POSITION PAPER ON

EU-CHINA TRADE RELATIONS

October 2026

The 2019 Joint Communication by the European Commission and the HR/VP, which described China as a partner for cooperation, an economic competitor and a systemic rival all at once, still reflects the reality of our bilateral relationship. EU-China trade remains one of the most important economic partnerships in the world, but it is increasingly marked by the absence of a genuine level playing field. Bilateral trade in goods reached €759 billion in 2025, but the EU closed the year with a huge €360 billion deficit, the equivalent of €1 billion a day. The cumulative effect of massive industrial subsidies, the resulting overcapacity, deflationary pressures and a currency manipulation has given Chinese producers artificial cost advantages in recent years. Beijing has also shown a pattern of escalation dominance, weaponising supply chain dependencies, particularly in Critical Raw Materials, and targeting politically sensitive European sectors such as brandy, pork and dairy with retaliatory investigations to pursue political goals. While the EU cannot decouple from China, it must address a growing asymmetry, with European companies facing restricted market access, unequal treatment and technology-transfer pressure, while Chinese firms enjoy broad access to the European Single Market. The European Union is the largest export market for China, which gives us very significant leverage that we are not yet fully using.

The EPP Group supports the joint statement agreed in June 2026 launching the EU-China Trade and Investment Consultation Mechanism, and joint monitoring to address trade and investment imbalances, export controls, Intellectual Property Rights and WTO reform. In order to achieve substantial progress on these four fronts, the EPP Group calls for:

THE EPP CALLS FOR ACTION

- > The EU should use its existing trade defence instruments with more determination, consistency and speed, since investigations can currently take up to 18 months, during which the damage to European industry may already become irreversible. To that end, it is essential to streamline procedures, to allocate additional resources and to provide financial and technical support to companies, especially SMEs, facing higher costs of trade defence cases.
- > Following up on the discussion about global macroeconomic imbalances at the European Council meeting on 15/16 October 2026, the EU should go beyond using current instruments better and develop a broader, coherent policy mix, including reinforcing the EU's toolbox with new instruments that enhance stronger de-risking efforts as well as quicker reaction mechanisms in case of retaliatory measures.
- > The EU shall ensure that any trade measure remains proportionate, evidence-based and temporary, as well as targeted to minimise negative repercussions on close partner countries, aimed at restoring a level playing field and making European companies more competitive, not at protecting industries indefinitely.
- > The EU should effectively tackle the circumvention of its trade defence measures, including transshipment, rerouting and misinformation or lack of traceability about the origin of goods.
- > The EU should strive for greater coherence between institutions and Member

States, since fragmented national approaches weaken Europe's collective leverage.

- > The EU should adopt a more targeted, strategic and sector-specific approach, focusing on sectors and value chains at the core of our industrial capacity, such as machinery, chemical, and automotive, as well as those essential for security and defence, critical infrastructure and technologies such as AI.
- > The EU should counter retaliatory trade investigations and other unfair trading practices targeting sensitive European agri-food exports, strengthening early-warning mechanisms and ensuring effective support for affected European producers, preventing European agriculture from becoming a target of economic coercion and political retaliation.
- > The EU should hedge against economic coercion through technological and geographical diversification, both for supply chain providers and shipping routes, in line with the upcoming diversification instrument. This approach should be supported by regular stress tests covering direct and indirect supply-chain dependencies and the availability of substitutes, as well as economic impact assessments to monitor the effects on producers and consumers.
- > The EU should reinforce cooperation with trusted partners to address Critical Raw Materials dependencies, including through internal production, processing and stockpiling, building on the RESourceEU programme, consider the establishment of a European Critical Raw Materials Centre, and support multilateral initiatives such as Pax Silica, as well as monitor regulations that constrain the fulfilment of our Critical Raw Materials targets.
- > The EU should advance with the ratification of Free Trade Agreements with countries and partners such as Canada, Mercosur, India, Australia and Indonesia, as well as with the negotiations of agreements with partners such as the UAE, the Philippines, Malaysia and Thailand, while ensuring that in those negotiations, European interests and sensitive sectors are duly safeguarded.
- > The EU should move beyond common export control rules and promote greater alignment in assessment and authorisation practices at European level, reducing fragmentation between Member States while respecting national competences, building on the substantive progress brought about by the FDI Screening Regulation.
- > The EU should move towards a unified tool, process and rulebook to manage FDI, applied in a proportionate, transparent, geostrategic and evidence-based way.
- > The EU should reinforce customs enforcement, strengthen OLAF and the European Public Prosecutor's Office, as well as apply the new harmonised sanctions under the Union Customs Code against non-compliant e-commerce platforms, and use the Digital Services Act to ensure online marketplaces verify traders and guarantee traceability.
- > The EU must ensure that its trade and economic security policy takes account of China's continued support for Russia's war economy by closing circumvention routes via financial and commercial intermediaries.
- > The EU should reaffirm, consistent with its One-China policy, its commitment to preserving the status quo in the Taiwan Strait, recalling that the region's stability and free flow of trade are essential for global supply chains and the EU's economic security.
- > The EU should build its own strategic indispensability for China, widening China's dependencies on the EU in sectors such as civil aviation, semiconductors, pharmaceuticals and biotechnology.
- > The EU should coordinate its response with trusted partners, including the United States, both bilaterally and within international fora such as the G7, combining mutual support with joint countermeasures, to hedge against China's economic coercion.
- > The EU should push to restore a level playing field within the WTO, unblocking the dispute settlement system and reviewing the rules on subsidies and safeguards.
- > Europe does not seek confrontation with China, but a fair and balanced relationship, built on mutual trust earned through respect, clear rules and reciprocity. Now that parliamentary relations have been restored, we should seize the opportunity to foster an open

and constructive dialogue, while staying firm on the defence of legitimate European interests.

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